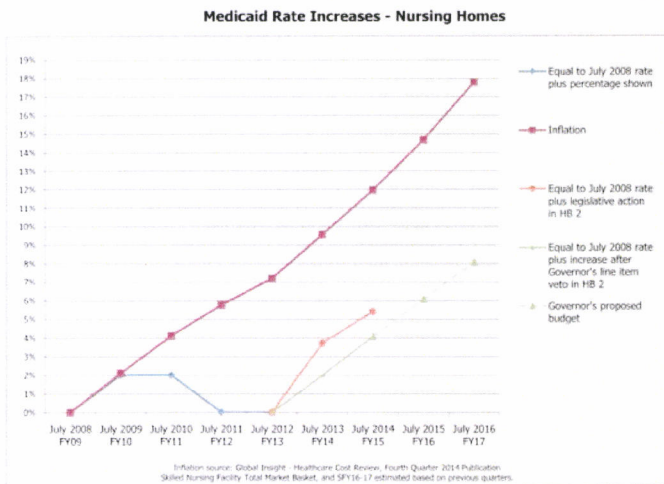


NURSING HOME FACTS

Who we serve – the most frail and needy older Montanans. Montana's nursing homes provide care to our most vulnerable elderly - people who can no longer care for themselves. When even the most loving families find it impossible to deal with the extreme physical and mental disabilities of their loved ones, they come to us for help. Because of their many needs, these individuals require 24-hour care and are not candidates for other less intense services. Normally, these individuals have used all of their savings paying for their care, have sold their homes and have otherwise impoverished themselves. Any income, including their social security checks, are applied to the cost of their care. They get to keep \$50 per month to meet any personal needs they may have such as shoes, clothing, hair cuts and the like. These are people who have worked hard all their lives, paid taxes and contributed to their communities, but now they are old and sick and need our help.



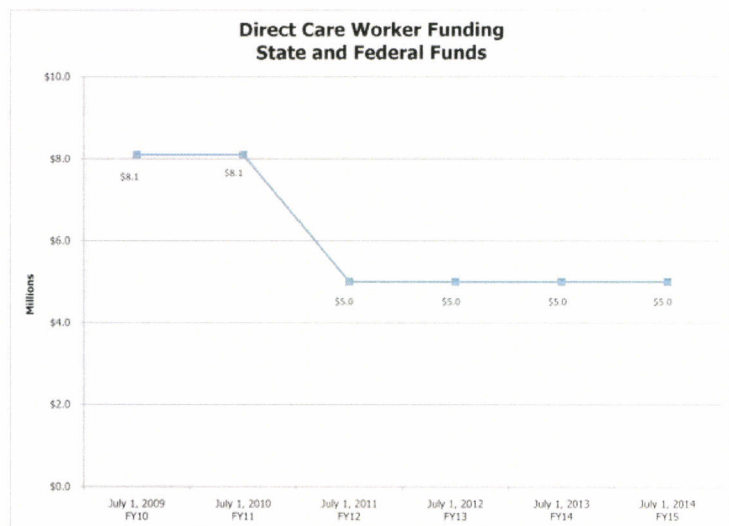
►►► **The role of Medicaid in nursing homes - 60% of our customers are on Medicaid.** The state of Montana - through the Medicaid program - has taken on the responsibility of paying for the care of those who cannot afford their own care. Over 60% of the people in our nursing homes are on Medicaid. Because so many of those we care for are on Medicaid, the rates paid by Medicaid play a significant role in determining our ability to hire enough staff, to pay them a living wage, and to meet other necessary expenses.



►►► **Impact of inflation - what happens when Medicaid fails to recognize our cost increases?** We are experiencing large increases in the cost of food, medical supplies, utilities, health insurance, liability insurance, labor and basic every day necessities. When rates don't account for these cost increases, facilities take other steps to reduce costs including reducing hours and staff, limiting wage increases, and other steps that also affect the quality of care. On the revenue side, those who pay for their own care see significant rate increases and county facilities go to local taxpayers for more support.

►►► **Medicaid rates are significantly less than the cost of providing care.** The current average rate paid to a nursing facility is \$173.37 (including all direct care wage funding) for each day of care while the current average cost is about \$197.09 for each day of care. On average, nursing homes currently lose about \$24 per day of care provided to Medicaid beneficiaries. These figures take into account the 2% rate increases that went into effect during the current biennium.

►►► **Direct care wage increases have been specifically funded by the legislature.** Nursing homes have worked hard, with help from the legislature, to improve wages to our direct care workers and to distance their wage rates from the minimum wage. This is necessary to attract and retain needed staff, particularly CNA's. Our workers provide the most basic and intimate types of care to residents no longer able to do them for themselves. They tend to their personal hygiene needs as well as other physical, emotional and spiritual needs - often taking the place of absent family. This work can be back-breaking and physically and emotionally draining. To attract well-qualified people to this work we must place value on it through the wages we pay.



The 2009 legislature appropriated about \$10M over the 2011 biennium to be used for wages and/or lump sum payments to nursing home workers. The funding was OTO (one time only) but there can be no doubt that the workers who received it used it the way they would use any other compensation. This money was not included in Governor Schweitzer's budget for the 2013 biennium but was added by the legislature. However, the Governor's amendments to HB 2 reduced the appropriation by about 40% which means these workers in effect earned \$4M less over the 2013 biennium than they did last biennium. This did not include wage cuts that may have occurred due to the 2% cuts to the rates paid to the facilities that employ these people. When the 2013 legislature met, this wage money was not included in Governor Bullock's proposed budget. And, again, the legislature added this funding - but it was added at the lower level that was in place during the 2013 biennium. This funding was much appreciated - but the notion that it represented a wage increase for these workers is simply not the case - this funding helped avert a wage cut for many of these workers. Governor Bullock's proposed budget includes direct care workers wage funding of about \$.50 per hour each year of the biennium. We support this proposal.

►►► **The state of Montana General Fund not attributable to the bed tax paid by nursing homes pays only about 25% of the cost of nursing home care.**

For most Medicaid services, the state pays about 34% of the cost. For nursing homes, it is substantially less because of two factors: (1) the patient pays a considerable portion because all but \$50 per month of their income is used to pay for their own care; and (2) nursing homes pay a utilization fee (or bed tax) of \$8.30 per day on all patient days (not just Medicaid) which raises about \$12 M to use as state match instead of using state general funds.

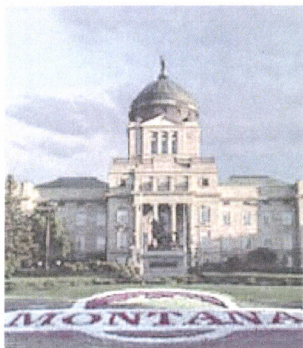
TOTAL AVERAGE RATE*

\$173.37

Paid by patient	31.62	(18.2%)
Paid by nursing home bed tax in state special revenue fund and by bed tax deposited in general fund	11.06	(6.4%)
Paid by State General Fund (non-bed tax)	44.58	(25.7%)
Paid by Federal government	86.11	(49.7%)

►►► **Nursing homes pay a "bed tax" to help fund nursing home care.** Nursing homes pay a provider tax to help fund Medicaid rates. Total provider tax paid by nursing homes amounts to about \$12 M annually. This money is used - instead of other state general funds or special funds - to match federal funds used to reimburse nursing homes. Nursing homes have paid this tax since 1992 to help assure the adequacy of Medicaid rates.

►►► **Counties with nursing homes also help fund Medicaid rates for nursing homes through the intergovernmental transfer (IGT) program.** Counties provide funding to the state and the funds are used to match with federal funds to enhance Medicaid payments to nursing homes. About \$600,000 of funding from the IGT program are diverted from the lump sum payments to nursing homes and are used instead to support the base rates in the nursing home and community services programs. Changes at the federal level reduced this program to a point where it is difficult for some counties to fully participate. After the federal changes, this program provided about \$5 per patient day to county facilities and about \$2 per patient day to non-county facilities - as lump sum payments. However, the amount increased substantially over the 2013 biennium - to about \$16 for counties and \$8 to non-counties. Current biennium funding is about the same. These are considered one time only (OTO) funds and the amount has fluctuated wildly over the years so this is not a reliable funding source for ongoing expenses.



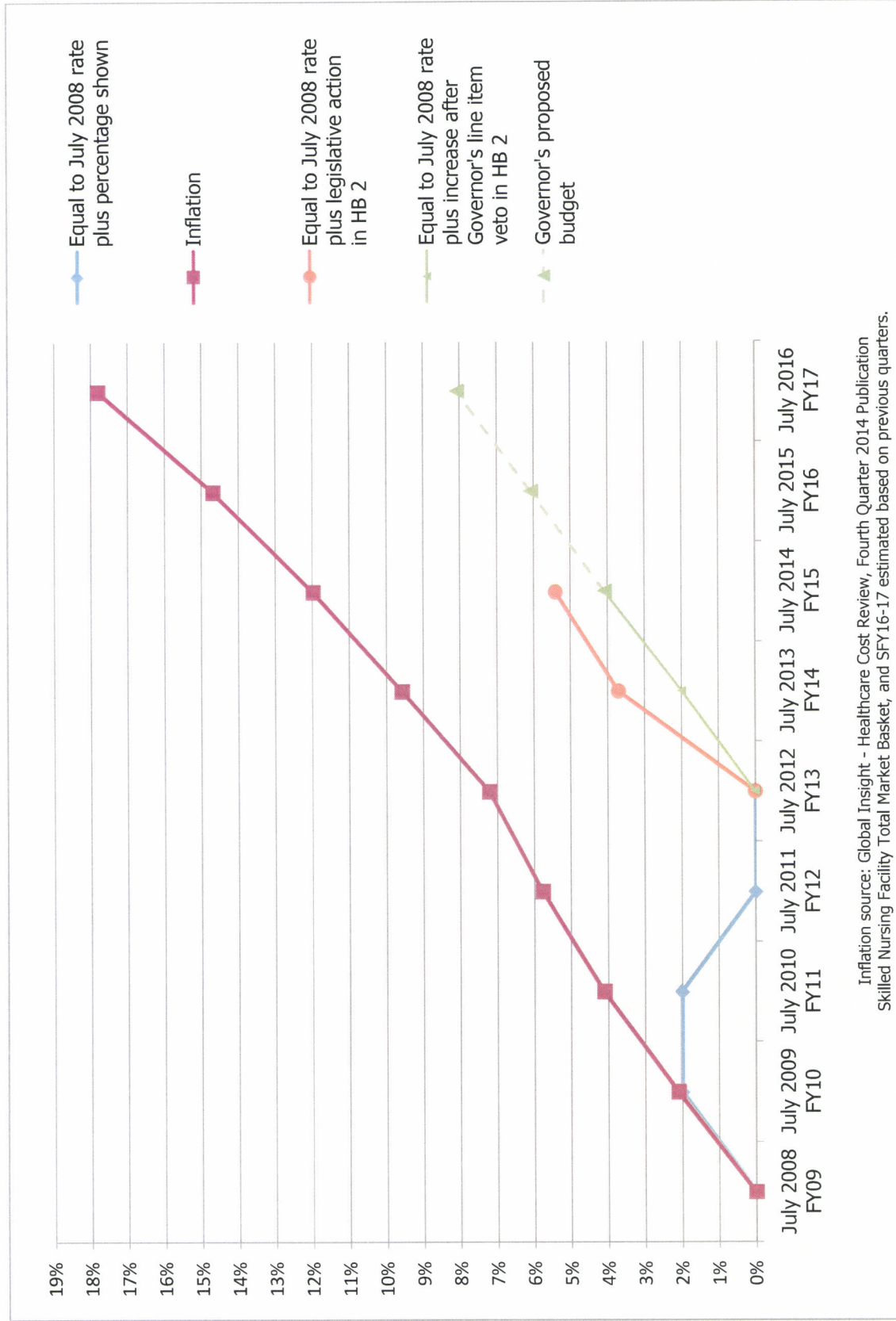
►►► **The state knows what it takes to operate a nursing home that provides high quality of care.**

The state operates a nursing home in Columbia Falls. The budget for that facility has been increased to account for increased costs and the need for more staff to care for patients whose care needs continue to increase. The state is doing the right thing in that facility - they are providing excellent care. But, the state spends between \$260 and \$300 per day of care in its own nursing home, while asking other nursing homes to do the job for \$173 per day. The state consistently recognizes the factors contributing to increased costs at the state facility while ignoring the same pressures experienced by private businesses. For example, the executive budget proposes to increase MVH's budget by almost 11% over the 2017 biennium while providing 2% per year to private nursing homes. This simply doesn't

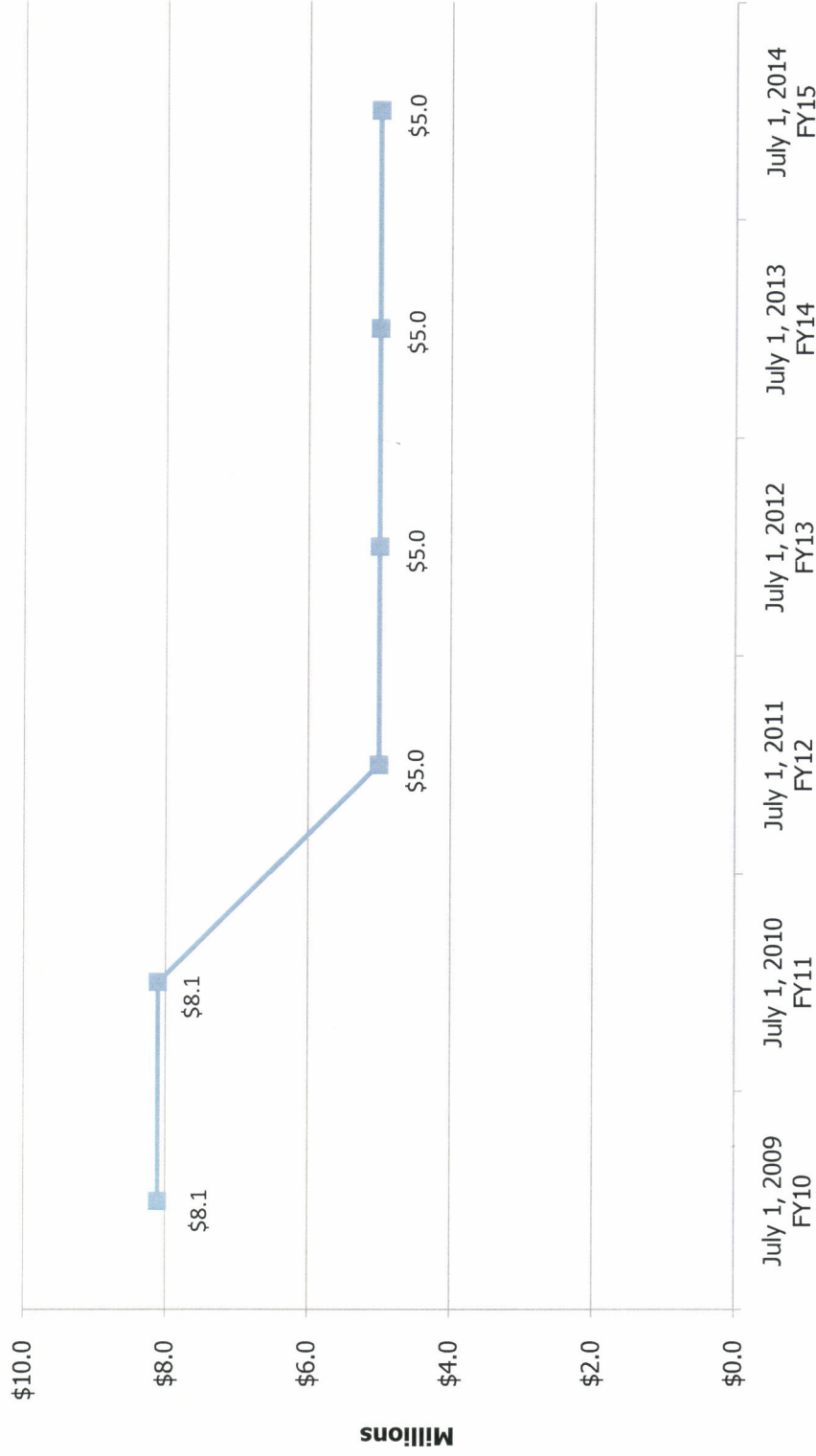
make sense.

►►► **State agencies receive inflationary increases as part of "current level".** Government agencies receive inflationary increases as part of "current level" - to account for cost increases they know are coming - while those of us in the private sector have nothing for inflation in our current level appropriations.

Medicaid Rate Increases - Nursing Homes



Direct Care Worker Funding State and Federal Funds



1/27/2015

Rose M. Hughes, Executive Director
Montana Health Care Association 36 S Last Chance Gulch, Suite A Helena, MT 59601 Telephone - 406.443.2876